

**Internal Revenue Service**

P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

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Date: June 1, 2016

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

UIL: 4945.04-04

Dear :

You asked for advance approval of your grant procedures under Internal Revenue Code section 4945(g)(3). This approval is required because you are a private foundation that is exempt from federal income tax.

**Our determination**

We approved your procedures for awarding grants. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding grants meet the requirements of Code section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

**Description of your request**

Your letter indicates you will operate a grant making program. You were created to fund innovative and promising diabetes research programs and projects that will lead to a cure for the disease and alleviate complications caused by it.

The purpose of your grant making program is to enable researchers and scholars to attend academic and scientific conferences and then to prepare a report as to the applicability of the information presented at such conferences to diabetes research and help you connect with potential grantees. Recipients may include graduate students, scholars, professionals or other individuals with specialized skills or knowledge. All potential recipients must submit together a completed application form, a Curriculum Vitae as well as a project statement. The project statement must include the following:

- The scientific or academic conference the applicant wishes to attend.
- The academic and professional context of the project.
- An explanation on how the material presented at the conference relates to diabetes research.
- A description of the professional experience that has prepared the applicant to successfully accomplish this project.
- The costs associated with attending the conference.

You will appoint an advisory board to evaluate the applications. All members of the advisory board must adhere to your relevant policies as they are adopted and amended, including a conflict of interest and confidentiality policy. Every member of the advisory board will also be obligated to disclose any personal knowledge of and relationship with any potential grantee under consideration and to refrain from participation in the award process in a circumstance where he or she would derive, directly or indirectly, a private benefit if any potential grantee or grantees are selected over others. In addition, no grant may be awarded to any member of your board, any of your substantial contributors, any employee of yours or any other disqualified person as defined in IRC 4946(a) with respect to you or any member of the advisory board, or for a purpose that is inconsistent with the purposes described in IRC 170(c)(2)(B).

After each member of the advisory board evaluates each application, your board will make the final selection. Selection criteria will be related to the purpose of the grant and may include prior experience, contributions to the field, demonstrated academic achievement, character, ability, motivation and potential. All recipients will be selected on an objective and nondiscriminatory basis.

Furthermore, your board will determine the number of grants on a rolling basis depending on the funds available as well as determine the grant amount by the cost of attending the necessary academic or scientific conferences and the time involved with producing a report. Grants may be renewed. However, the recipient must provide a written report regarding previous conferences attended and why attending subsequent conferences are beneficial to you.

Recipients will also be required to provide a written report about their activities and use of the grant funds at the end of the grant period. If the grant term is longer than a year, periodic written reports will be required at least annually. Any funds not used for the purpose of the award must be returned.

All information you obtain to evaluate the qualifications of potential grantees, the identification of grantees (including any relationship of any grantee to you or to a director or officer of yours, the purpose and amount of each grant, and any additional information you obtain in complying with your grants administration procedures will be kept. In addition, information pertaining to unsuccessful applicants for awards shall be kept along with information on successful applicants.

You represent that you will complete the following: (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversion of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and (4) withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversion from occurring.

You represent that you will maintain the following: (1) all records relating to individual grants including information obtained to evaluate grantees, (2) identify whether a grantee is a disqualified person, (3) establish the amount and purpose of each grant, and (4) establish that you undertook the supervision and investigation of grants described above.

### **Basis for our determination**

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is:
  - A scholarship or fellowship subject to section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii); or
  - A prize or award subject to the provisions of section 74(b), if the recipient of the prize or award is selected from the general public; or
  - To achieve a specific objective; produce a report or similar product; or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar skill or talent of the recipient.

To receive approval of its educational grant procedures, Treasury Regulations section 53.4945-4(c)(1) requires that a private foundation show:

- The grant procedure includes an objective and nondiscriminatory selection process.
- The grant procedure results in the recipients performing the activities the grants were intended to finance.
- The foundation plans to obtain reports to determine whether the recipients have performed the activities that the grants were intended to finance.

### **Other conditions that apply to this determination**

- This determination covers only the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes in your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service  
Exempt Organizations Determinations  
P.O. Box 2508  
Cincinnati, OH 45201

- You cannot make grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and must further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

Please keep a copy of this letter in your records.

If you have any questions, please contact the person listed at the top of this letter.

Sincerely,

Jeffrey I. Cooper  
Director, Exempt Organizations  
Rulings and Agreements